



## DEPARTMENT OF ENERGY

### Western Area Power Administration

#### Boulder Canyon Project

**AGENCY:** Western Area Power Administration, DOE.

**ACTION:** Notice concerning fiscal year 2022 Boulder Canyon Project base charge and rates for electric service.

**SUMMARY:** The Assistant Secretary for Electricity confirms, approves, and places into effect on a final basis the Boulder Canyon Project (BCP) base charge and rates for fiscal year (FY) 2022 under Rate Schedule BCP-F10. The base charge increased 2.9 percent from \$65.4 million in FY 2021 to \$67.4 million in FY 2022. The change is primarily the result of an increase in the Bureau of Reclamation's (Reclamation) replacement costs, an increase in the Western Area Power Administration's (WAPA) operations and maintenance (O&M) expenses and replacement costs, and a decrease in prior year carryover funds from FY 2021.

**DATES:** The FY 2022 base charge and rates will be effective October 1, 2021 and will remain in effect through September 30, 2022.

**FOR FURTHER INFORMATION CONTACT:** Jack D. Murray, Acting Regional Manager, Desert Southwest Region, Western Area Power Administration, P.O. Box 6457, Phoenix, AZ 85005-6457, (602) 605-2525, or [dswpwrmrk@wapa.gov](mailto:dswpwrmrk@wapa.gov); or Tina Ramsey, Rates Manager, Desert Southwest Region, Western Area Power Administration, (602) 605-2565, or [ramsey@wapa.gov](mailto:ramsey@wapa.gov).

#### SUPPLEMENTARY INFORMATION:

On June 6, 2018, the Federal Energy Regulatory Commission (FERC) confirmed and approved Rate Schedule BCP-F10 under Rate Order No. WAPA-178 on a final basis through

September 30, 2022.<sup>1</sup> The rate-setting methodology for BCP calculates an annual base charge rather than a unit rate for Hoover Dam hydropower. The base charge recovers an annual revenue requirement that includes WAPA and Reclamation projected costs of investment repayment, interest, O&M, replacements, payments to states, and Hoover Dam visitor services. Non-power revenue projections such as water sales, Hoover Dam visitor center revenue, ancillary services, and late fees help offset these projected costs. Customers are billed a percentage of the base charge in proportion to their Hoover power allocation. Rates are calculated for comparative purposes but are not used to determine the charges for service.

Rate Schedule BCP-F10 and the BCP Electric Service Contract require WAPA to determine the annual base charge and rates for the next FY before October 1 of each year. The FY 2021 BCP base charge and rates expire on September 30, 2021.

**Comparison of Base Charge and Rates**

	<b>FY 2021</b>	<b>FY 2022</b>	<b>Amount Change</b>	<b>Percent Change</b>
Base Charge (\$)	\$65,443,462	\$67,355,778	\$1,912,316	2.9
Composite Rate (mills/kWh)	18.10	20.63	2.53	14.0
Energy Rate (mills/kWh)	9.05	10.32	1.27	14.0
Capacity Rate (\$/kW-Mo)	\$1.69	\$2.03	\$0.34	20.1

Reclamation's FY 2022 budget is increasing by \$1.6 million to \$81.7 million, a 2 percent increase from FY 2021. While O&M costs are decreasing by \$4.4 million compared to FY 2021, there was a minimal increase of \$44,000 for post-retirement benefits and replacement costs are increasing by \$4.4 million due to the addition of new projects and the inclusion of projects that were previously deferred due to the COVID-19 pandemic. Visitor services costs are also increasing by \$1.5 million in FY 2022, primarily due to a \$1 million reallocation of expenses from administrative and general expenses in O&M to visitor services expenses. Higher labor

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<sup>1</sup> Order Confirming and Approving Rate Schedule on a Final Basis, FERC Docket No. EF18-1-000, 163 FERC ¶ 62,154 (2018).

projections in salaries, overtime, overhead, and benefits also contribute to the visitor services increase.

WAPA's FY 2022 budget is increasing by \$762,000 to \$9.2 million, a 9.1 percent increase from FY 2021. A \$247,000 increase in WAPA's replacement budget for communication equipment and higher O&M expenses of \$520,000 account for this increase. The increase in O&M expenses is primarily due to the following: the Hoover-Mead transmission line lease costs, which were not budgeted in FY 2021; an updated distribution of labor costs resulting from the closure of the Navajo Generating Station near Page, Arizona; and higher labor projections for salaries, overtime, overhead, and benefits in power operations. The increase in replacements and O&M costs is offset by a modest decrease in facility expenses and post-retirement benefits.

The cost increase for both Reclamation and WAPA is offset by a \$2.1 million increase in non-power revenue projections due to the added commercial use authorization for road-based tours. Prior year carryover is estimated to be \$2.7 million, a \$1.7 million decrease from FY 2021.

While the base charge is increasing 2.9 percent, the composite and energy rates are both increasing 14 percent and the capacity rate is increasing 20.1 percent from FY 2021. Projections of energy and capacity are decreasing in FY 2022 due to the ongoing drought in the Lower Colorado River Basin. Reclamation and WAPA work collaboratively each year to minimize budget increases to moderate the financial impact of the drought to the rates. For FY 2022, Reclamation and WAPA were able to reduce previously formulated budgets and defer projects to decrease costs by \$4 million. Without this decrease in costs, the base charge would have increased approximately \$5.9 million instead of \$1.9 million.

### **Public Notice and Comment**

The notice of the proposed FY 2022 base charge and rates for electric service was published consistent with procedures set forth in 10 CFR part 903 and 10 CFR part 904. WAPA took the following steps to involve customers and interested parties in the rate process:

1. On April 15, 2021, a *Federal Register* notice (86 FR 19881) announced the proposed base charge and rates and initiated the 90-day public consultation and comment period.
2. On May 17, 2021, WAPA held a public information forum by web conference. WAPA and Reclamation representatives explained the proposed base charge and rates and answered questions. Presentation materials and supplemental information requested by customers were posted to WAPA's website.
3. On June 14, 2021, WAPA held a public comment forum by web conference to provide customers and interested parties an opportunity to comment for the record. WAPA received no comments during this forum.
4. On July 14, 2021, the public consultation and comment period ended with WAPA receiving no comments.

### **Certification of Rates**

WAPA's Administrator certified that the FY 2022 base charge and rates under Rate Schedule BCP-F10 are the lowest possible rates consistent with sound business principles. The base charge and rates were developed following administrative policies and applicable laws.

### **Availability of Information**

Information about the rate process to establish the FY 2022 base charge and rates was made available on WAPA's website at <https://www.wapa.gov/regions/DSW/Rates/Pages/boulder-canyon-rates.aspx>.

### **Legal Authority**

10 CFR 904.7(e) requires annual review of the BCP base charge and an "adjust[ment], either upward or downward, when necessary and administratively feasible, to assure sufficient revenues to effect payment of all costs and financial obligations associated with the [p]roject." WAPA's Administrator provided all BCP contractors an opportunity to comment on the proposed base charge adjustment consistent with the procedures for public participation in rate adjustments as required under 10 CFR 904.7(e) and the BCP Electric Service Contract. The

BCP Electric Service Contract states that for years other than the first year and each fifth year thereafter, when the rate schedule is approved by the Deputy Secretary on a provisional basis and by FERC on a final basis, adjustments to the base charge “shall become effective upon approval by the Deputy Secretary of Energy.” Under the DOE Organization Act, the Secretary of Energy holds plenary authority over DOE affairs with respect to the Power Marketing Administrations, and the Secretary of Energy may therefore exercise the Deputy Secretary’s contractual authority in this context. By Delegation Order No. S1-DEL-S4-2021, effective February 25, 2021, the Acting Secretary of Energy delegated “to the Under Secretary for Science (and Energy) the authority vested in [the Secretary] with respect to the . . . Western Area Power Administration.” By Redelegation Order No. S4-DEL-OE1-2021, effective March 25, 2021, the Acting Under Secretary for Science (and Energy) redelegated the same authority to the Assistant Secretary for Electricity. Based upon the governing terms of the existing BCP Electric Service Contract, the Acting Assistant Secretary for Electricity is approving the FY 2022 base charge and rates for BCP electric service. This rate action is issued under the Redelegation Orders and DOE’s procedures for public participation in rate adjustments as set forth at 10 CFR part 903 and 10 CFR part 904.<sup>2</sup>

Following DOE’s review of WAPA’s proposal, and as authorized by applicable provisions of the BCP Electric Service Contract, I hereby confirm, approve, and place the FY 2022 base charge and rates for BCP electric service, under Rate Schedule BCP-F10, into effect on a final basis through September 30, 2022.

## **RATEMAKING PROCEDURE REQUIREMENTS**

### **Environmental Compliance**

WAPA has determined this action fits within the following categorical exclusions listed in appendix B to subpart D of 10 CFR 1021: B4.3 (Electric power marketing rate changes) and B4.4 (Power marketing services and activities). Categorically excluded projects and activities do

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<sup>2</sup> 50 FR 37835 (Sept. 18, 1985) and 84 FR 5347 (Feb. 21, 2019).

not require preparation of either an environmental impact statement (EIS) or an environmental assessment (EA).<sup>3</sup> A copy of the categorical exclusion determination is available on WAPA's website at <https://www.wapa.gov/regions/DSW/Environment/Pages/environment.aspx>.

### **Determination Under Executive Order 12866**

WAPA has an exemption from centralized regulatory review under Executive Order 12866; accordingly, no clearance of this notice by the Office of Management and Budget is required.

### **Signing Authority**

This document of the Department of Energy was signed on August 18, 2021, by Patricia A. Hoffman, Acting Assistant Secretary, Office of Electricity, pursuant to delegated authority from the Secretary of Energy. That document, with the original signature and date, is maintained by DOE. For administrative purposes only, and in compliance with requirements of the Office of the Federal Register, the undersigned DOE Federal Register Liaison Officer has been authorized to sign and submit the document in electronic format for publication, as an official document of the Department of Energy. This administrative process in no way alters the legal effect of this document upon publication in the *Federal Register*.

Signed in Washington, DC, on August 19, 2021.

**Treena V. Garrett,**

*Federal Register Liaison Officer,*

*U.S. Department of Energy.*

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<sup>3</sup> The determination was done in compliance with the National Environmental Policy Act (NEPA) of 1969, as amended, 42 U.S.C. 4321-4347; the Council on Environmental Quality Regulations for implementing NEPA (40 CFR parts 1500-1508); and DOE NEPA Implementing Procedures and Guidelines (10 CFR part 1021).